

INTRODUCTION TO SPONSORSHIP

Overview

Sponsorship, correctly conceived and creatively executed, has unparalleled power to build brands, engage stakeholders and present profitable commercial opportunities.

This chapter introduces the basic building blocks required to understand sponsorship and the environment in which it operates, including:

- What sponsorship is, and is not, in the context of modern sponsorship practice.
- The size of the industry, and why it continues to see growth at a time when advertising spend is slowing.
- The key players and the range of sponsorship opportunities, target audiences and possible sponsorship objectives that should be taken into consideration.
- Tangible and intangible sponsorship assets and how some of these might be valued.
- The process of sponsorship from both a sponsor's and a rights-holder's perspective.
- A discussion about when to use internal headcount versus external support to deliver on sponsorship objectives.

? Sponsorship: what is it?

This is the subject of much current debate especially with take up of social media which we discuss in Chapter 10. At best, sponsorship is an associative marketing tool that creates mutual brand and business value for both the sponsor and the sponsored activity. At worst, it is an excuse for the Chairman to indulge his wife's interests at the shareholders' expense. The most widely accepted definition currently is that of the International Chamber of Commerce:

“Any commercial agreement by which a sponsor, for the mutual benefit of the sponsor and sponsored party, contractually provides financing or other support in order to establish an association between the sponsor's image, brands or products and a sponsorship property in return for rights to promote this association and/or for the granting of certain agreed direct or indirect benefits.”

The key words in this rather long statement are:

- *Commercial*: Modern sponsorship of the sort undertaken by businesses large and small is targeted at delivering some sort of commercial outcome for business owners, whether the company is publicly or privately owned. The benefits may be accrued in terms of additional revenues or cost savings in the profit and loss account, or as an increase in the value of brand equity on the balance sheet. While an individual undertaking a challenge to raise money for good causes – such as running a marathon or learning a new skill – is a laudable activity, it is outside the scope of this definition, and therefore this book.
- *Mutual*: There is progressive acceptance that the benefits of a sponsorship relationship should represent a win–win partnership for both the sponsor's organization and that of the sponsored activity.
- *Contract*: This may be written out in detail or be based on an oral agreement, but the fundamentals of contract law, as applied in the appropriate judicial system, will apply to the relationship. The rights-holder is offering

for sale the right of association and possibly other benefits, which are accepted by the sponsor and confirmed by the provision of some form of consideration, which may be cash or defined value in kind. An informal agreement of mutual association with no consideration does not constitute sponsorship under the ICC definition.

This definition therefore excludes many activities that historically might have been given the name of sponsorship, such as philanthropy, donations or patronage. However, one of the reasons the definition of sponsorship is currently causing such controversy is the development of other associative marketing activities that, from the average consumer's standpoint, look and feel like some sort of sponsorship (see Figure 1.1). These include:

- *Cause-related marketing* – Red, the global AIDS-related fundraising initiative, is a good example where a variety of brands have come together to raise money to fight AIDS while benefiting from enhanced brand equity.
- *Product placement* – Whether it is BMW in the Bond movies or Coca-Cola being prominently consumed by X Factor USA judges, consumers are progressively aware that brands are capitalizing on collective aspirations to market their products.
- *Advertiser-funded programming* – Gillette's World of Sport is the classic example of the genre, associating shaving products with performance.

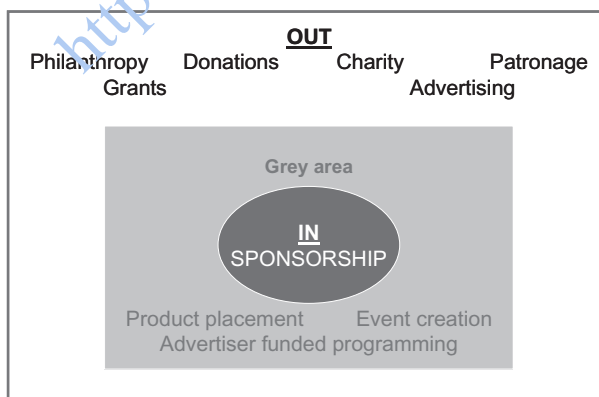


Figure 1.1 Pictorial representation of the definition of sponsorship

- *Event creation* – The Red Bull Air Race or Nike iok Runs look like sponsored events but are both in fact owned by the relevant brand, representing a desire by them to have more control of the activity than would normally be available in a true sponsorship relationship.

This book will largely limit itself to the discussion of those principles and processes that relate to the core sponsorship definition, but it should be understood that many of those issues will also be applicable to other activities within the associative marketing spectrum.

Industry development

Sponsorship has experienced unprecedented growth over the last decade, with the level of investment in purchasing sponsorship rights of association almost doubling (see Figure 1.2).

This compares favourably with the growth in spend on advertising over the same period. Of particular note is the continued growth in sponsorship

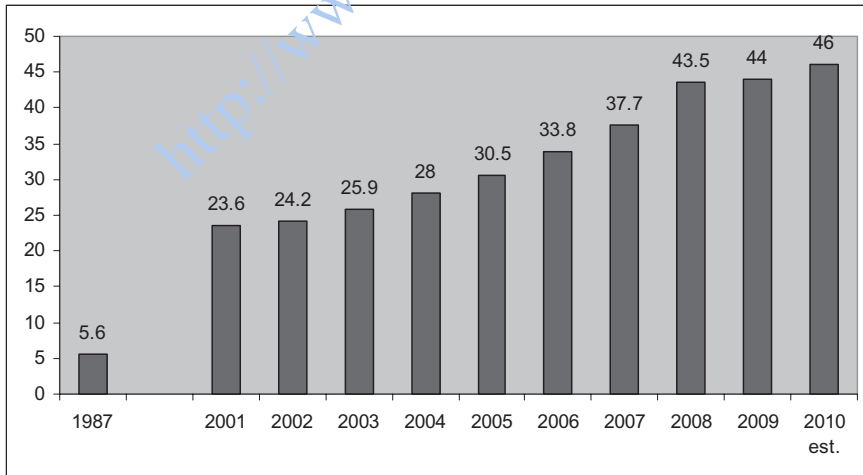


Figure 1.2 Global sponsorship rights spend USD billions, 1987–2010
(Reproduced with permission of IEG)

during the 2008–9 recession, albeit at a slower rate than previous years, at a time when advertising spend contracted by around 5%. The increased investment in sponsorship is underpinned by three core trends: economic development, social evolution, and the technological revolution.

- Economic development is currently focusing attention on sponsorship as a marketing tool because of the aspirations that greater economic freedom brings to individuals. In agrarian society wealth is highly concentrated with the majority existing at or below subsistence level with nothing to spare for discretionary activity. Economic development creates both the time and the cash for individuals to spend on discretionary items, usually initially allocated to physical comfort. As prosperity becomes the norm, so more money is available to allocate, first, to burden-reducing services, and then to leisure pursuits. Fully mature markets have now moved into an experience economy where people are looking for self-actualizing experiences. This is a need to which brands are responding, whether it is the “terrific experience” of dining at Pizza Hut, shopping at Apple or applying a grooming product. The challenge for many brands is to make these experiences real for customers. Sponsorship facilitates the bringing alive of brand experiences.
- Social evolution is the second trend driving growth in the sponsorship industry. Historically people identified themselves by the feudal lord they served. More recently, identity was linked to the company that provided your employment. Similarly, women started to gain their own identity, no longer recognized as merely their father’s daughter or husband’s wife. The outcomes of these societal changes are that people are looking for new badges of allegiance. These may be found in politics, sport, religion or other pursuits which bind groups together in real or virtual communities at the consumer level.

This social evolution has also impacted how corporations see their role in society. The introduction of triple bottom line accounting has meant that companies can no longer focus merely on economic success in terms of profit and dividends. Now they also have to consider their social and environmental impact. This has led companies to invest at grass roots levels in education, health, sport and culture, aiming not only to make a contribution at the local community level but also to have a global impact.

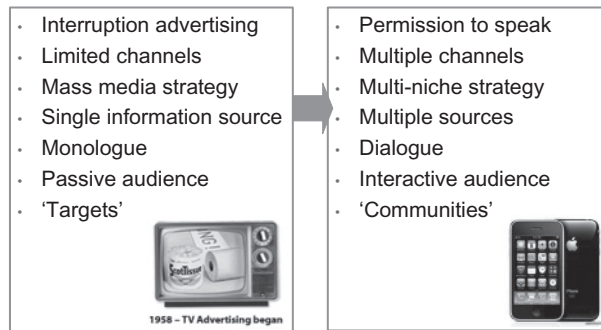


Figure 1.3 Communication channel development, 1958–2011

- However, the technological revolution represents the most important trend for sponsorship. The shift from a limited number of one-way channels to a plethora of two-way interactions has dramatically changed our expectations as consumers (see Figure 1.3).

There has been a fundamental shift from the interruption advertising and brand monologue of the 20th century to a multi-channel approach requiring brands to apply a multi-niche strategy. Consumers can now tap into multiple sources of information and no longer have to take a brand advertisement on trust. People very much want to have a dialogue with brands and, while some brands are finding this quite uncomfortable, winners in the long term will be those that learn to adapt to an interactive audience. Targeting based on socio-demographic groups is becoming ineffective because new communities incorporate a wide range of different types. So, businesses are looking much more at how they target communities of people with similar habits and behaviours rather than merely their socio-demographic grouping.

The challenge of the new communications reality is that it has had a huge impact on the consumer in terms of their ability to identify and absorb information. As Seth Goodin identifies in his book *Permission Marketing*, “the days of high demand and limited supply are over ... it’s a new game now. A game where the limited supply is attention.” *Advertising* is excellent for generating awareness, *public relations* informs and influences, and *sales promotion* stimulates trial, but all compete with each other to cut through the marketing clutter.

Brands have found that the best way to get our attention is to identify the passions of new communities and align with them through *sponsorship*.

The basic building blocks of sponsorship

Essential to successful sponsorship is an understanding of the key components that make up the industry. It is critical that all parties are aware of the other constituents and the role these play in terms of their collective ability to deliver on the rights assigned (see Figure 1.4).

The concept of a property and a sponsor may be considered as rather simplistic when placed within the environment of the sponsorship industry as a whole. The first challenge is to define exactly who is the rights-holder, that is, the organization that has the authority to sell the rights of association to a sponsor. Most often the rights-holder is the property's management, such as the Guggenheim Museum selling sponsorship for an art exhibition. However, there are occasions, and particularly in broadcast sponsorship, where the rights-holder is not directly overseeing the property itself, and this is being undertaken by some intermediary.

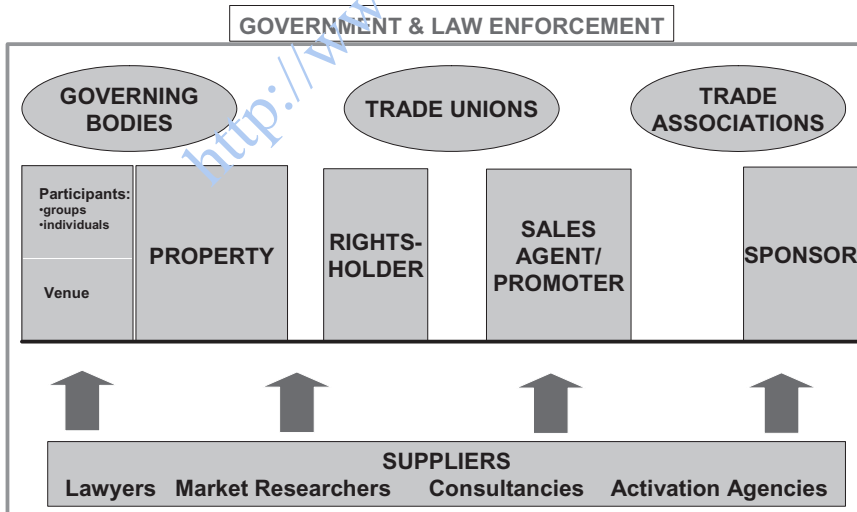


Figure 1.4 The key components of the sponsorship industry



Case Study: The Olympic and Paralympic Games



Key learning points:

- Be absolutely clear which organization is able to sell you which rights.
- You may need to contract with a number of organizations to achieve all the rights required to implement and leverage a sponsorship successfully.

A good example of this is the relationship between the International Olympic Committee (IOC) and the National Olympic Committee (NOC). The IOC ultimately controls all the rights to Olympic Marks, logos and symbols and sells them directly to their global sponsors. However, the IOC also delegates the opportunity to sell rights of association to the Olympics – although not the Marks, logos and symbols – to all the NOCs within their national boundaries. It would be most unfortunate if a brand negotiated an agreement with an NOC for rights of association with the Olympics with the assumption that this gave the brand the right to use the Olympic rings logo, or to promote an association with the Olympics globally.

More frequent in sport and entertainment than in culture is the use of a sales agent or promoter. They may have purchased the right to sell association with a property as a sponsorship opportunity but may not have the right to include database access, for example. If database access were important to a brand as part of a potential sponsorship relationship it would be essential that the brand identify the party that could grant database access rights and ensure that these were contractually agreed.

One group that people often forget when thinking about a property are the “performers”. For example, if sponsoring a performance at La Scala was under consideration, it is most likely that negotiations would occur direct with the Opera House’s management. However, if the soloists were expected to attend a post-performance party and socialize, further agreements might need

to be negotiated with the performers or via their agents. Equally, if a brand wanted to conduct spectator activation as part of sponsoring Six Nations Rugby, there might be a need to have separate agreements with the venues such as Twickenham, Murrayfield or Stade de France as well as purchasing rights of association with the Six Nations from the International Rugby Board.

Underpinning the core sponsorship relationship, there may also be a wide variety of suppliers, including lawyers to write tailored contracts, market researchers, consultancies or activation agencies. Also influencing the relationship may be the governing bodies of sport or trade unions such as Equity for the performing arts world, or trade associations and, of course, sponsorships must conform to government legislation and law enforcement.

The concept of a sponsor, that is, a corporation that invests cash or in kind in return for the right to associate its brand with a sponsored “property”, is largely understood.

The sponsored property may be an event or activity that is individual or infrastructural in nature. Figure 1.5 gives a number of examples of possible sponsorship opportunities.

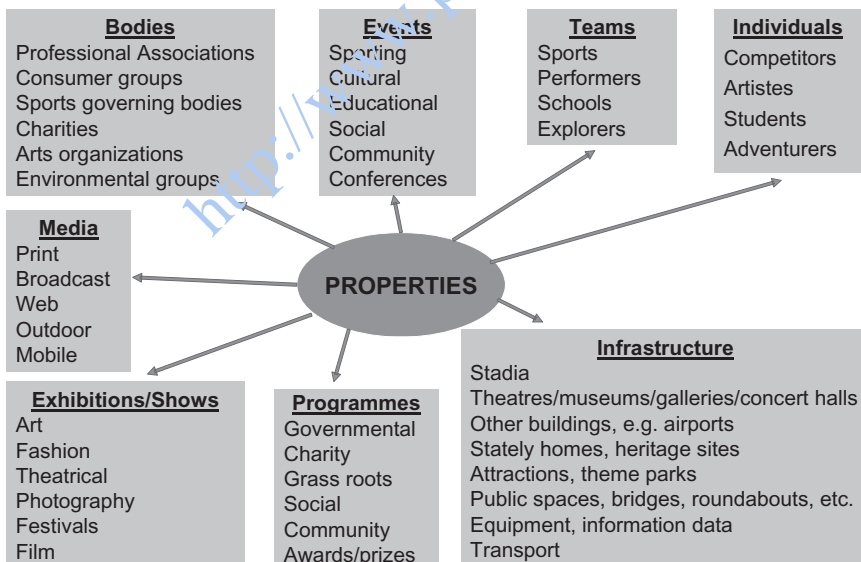


Figure 1.5 Types of sponsorship property



Figure 1.6 Potential target audiences for sponsorships

Sports are the most widely recognized sponsorship vehicles, and gain the lion's share of sponsorship investment, followed by broadcast and culture. However, there are a large number of potential sponsorship opportunities and these should all be taken into consideration when identifying the "best fit" for a particular sponsor's needs.

Outside the sponsorship industry itself are the people that the sponsorship is aimed at impacting in some way – specifically, the target audience(s) (see Figure 1.6). The most frequent target audience for sponsorship is consumers, with the aim of changing attitudes and behaviours towards the sponsoring brand or corporation, thus creating value in the profit and loss (P&L) account or balance sheet. A number of organizations also use sponsorship to support change internally, focusing on how they can educate and engage their employees.

However, there are many other potential target audiences against which sponsorship can be deployed successfully. Within the value chain, sponsorships may be aimed at changing behaviours among suppliers, wholesalers or retailers to positively impact value delivered. Alternatively, sponsorships may

have analysts or key Government departments as their primary focus. Equally, sponsorship could be targeted at influencing the media and how they report on the corporation.

There are many excellent examples of sponsorships aimed at improving relationships with NGOs or local communities. For example, a big manufacturing plant might invest in sponsorships that engage the local community, demonstrating a desire to compensate in some relevant way for the noise or light pollution the plant creates.

The essential key to successful sponsorship lies ultimately in having clearly defined sponsorship objectives. In its Sponsorship Assessment and Evaluation Guidelines, the European Sponsorship Association (ESA) distinguished three different groups of sponsorship objectives (see Figure 1.7).

The most widely recognized group of objectives is focused around brand building, from creating brand awareness through to promoting brand advocacy.

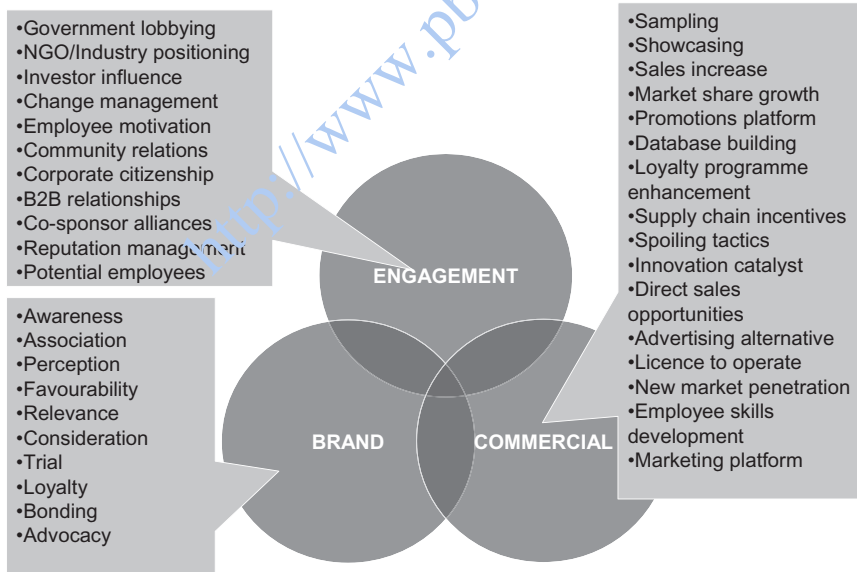


Figure 1.7 Possible sponsorship objectives

(Source: European Sponsorship Association, reproduced with permission)



Case Study: Vodafone



Key learning points:

- Exposure measurement is valid if one of your sponsorship objectives is to obtain visibility for a young brand.
- In this case, the Ferrari sponsorship's ability to provide global exposure was deemed to be more cost effective and more engaging than buying commercial airtime.

Vodafone's entry into Formula One racing as a sponsor of the Scuderia Ferrari team followed a period of acquisitions for the mobile communications company through which it had expanded its network to multiple markets around the world. While the sponsorship also had differentiation, engagement and revenue objectives, generating broad awareness for the brand on a global scale at a time when the brand was expanding into new markets was a key deliverable. Formula One, with a minimum 2 hours of television coverage every fortnight for 8 months of the year, presented a cost-effective platform through which to reach 350 million viewers globally – a high percentage of which represented a key target audience for Vodafone.

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Case Study: O2



Key learning points:

- While a sponsorship may provide a lot of brand exposure, there may be more important underlying objectives to be achieved.

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- When assessing sponsorship investments, where relevant consider whether it will be possible to scale up as a sponsor's needs change.

At the other end of the brand-building scale, European mobile telecoms brand O2 took title rights to the O2 sport and entertainment facility in Greenwich, London and other entertainment venues across the UK. The focus here is on priority booking for O2 customers to drive brand loyalty and advocacy, and the concept has been so successful that O2 has replicated it in Ireland, Germany and the Czech Republic.

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For some brands, sponsorship is much more about a direct line of sight to commercial benefits. ESA also identified a long, but not exhaustive, list of possible commercial objectives for sponsorship (see Figure 1.7).



Case Study: Nivea For Men®



Key learning point:

- There is nothing wrong with being highly commercial in your sponsorship objectives, as long as leveraging activities are aligned with fans' needs and enhancing their experience.

An excellent example of a product-sampling oriented sponsorship is that of Nivea For Men®, which became the official grooming partner of Powerleague Five-a-side football centres. This included the branding rights and provision of samples in all 42 Powerleague centres. As well as sampling activity, there were a series of targeted competitions and promotions giving away free play hours and team match places at

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Powerleague centres throughout the UK, culminating with a five-a-side football tournament in the summer.

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Case Study: Oil companies and Formula One



Key learning points:

- Commercial objectives for sponsorship may not directly contribute to the bottom line, but there should be a line of sight between the investment and potential returns.
- Sponsorships should still make intuitive sense to the average consumer when they are translated from the sponsorship environment to retail.

Another example, this time of using sponsorship as a catalyst for innovation, is the relationship between oil companies and Formula One motor racing. To speed up the pace of everyday road fuel development, the oil majors task their scientists to provide lighter, more efficient fuels that allow race cars to travel faster and cover greater distances on the race track. Often the scientists are present in the Paddock at the heart of the action and share the pain of defeat and pleasure of winning with the team they support. The drive to find new fuel and lubricants solutions to deliver even better racing results speeds up the development cycle. Relevant innovations can then be translated into the products available for everyday drivers at a service station.

Much of the sponsorship by international corporations in developing countries is about securing a license to operate. Investing in the sporting, cultural or educational development of a country is recognized as one way of thanking these communities for allowing the corporation to benefit from local

resources, whether these are mining raw materials or more cost-effective labour solutions.

The third group of objectives as defined by ESA are those where the primary purpose is engagement with particular audiences and includes everything from government lobbying to employee motivation. Sponsorships could be structured around managing reputation in the marketplace or positioning the brand as a good employer to attract the best talent from among young graduates or school leavers. This group also incorporates developing business-to-business relationships via sponsorship-linked hospitality and educational experiences.



Case Study: Siemens



Key learning points:

- Employees are often an afterthought where sponsorship is concerned, but if your staff are not able to articulate your sponsorship rationale, how will they communicate it effectively to customers?
- Media exposure may help build brand awareness but it only delivers broad messages to a target audience. Targeted PR activity ensures your key messages are communicated through credible editorial.

Siemens plc, part of the global engineering group, successfully deployed its sponsorship of the GB rowing team both to engage employees via an indoor rowing competition while also leveraging the platform to nurture relationships with opinion-formers via carefully targeted PR activities.

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The only problem with such a large number of possible objectives is that organizations often expect sponsorship to achieve many different goals. This results in fragmenting focus on the project and stretching budget too thinly across a wide range of activation programmes, thereby weakening the

possibility of real demonstrable success. Two to three clearly defined objectives is probably the optimal number, with five as an absolute maximum.

Sponsorship assets

Sponsorship assets translate into the actual benefits a sponsor purchases through its sponsorship contract. Sponsorship assets can be divided into those that have a value that is *tangible*, that is, where the value can be defined in monetary terms, or *intangible*, where the value is non-financial. Some examples of both types of assets can be found in Table 1.1.

Tangible assets

Media exposure, or rather the value of the media exposure gained by a brand as a result of a sponsorship, is the most widely accepted asset sold by rights-holders, followed by tickets and hospitality opportunities. Media value is derived from calculating the amount of time the brand's logo is displayed on screen (or via posters and other media) and calculating the equivalent cost to

Table 1.1 Examples of tangible and intangible sponsorship assets

Tangible Assets	Intangible Assets
Monetary value can be calculated	Value is non-financial
Media exposure	Transferable brand attributes
Tickets/hospitality	Property prestige
Brand advertising opportunities	Quality of activity delivery
Database access	Convenience of location
Specialist knowledge/expertise	Credibility of brand endorsement
Meeting facilities	Degree of audience loyalty
Brand ambassadors	Category exclusivity
Sampling	Strength of shared goals
Technology	Networking opportunities
Administrative resources	Facilitated introductions
Content provision	Exclusivity of access
Marketing activity	Uncluttered environment

purchase the same air time as advertising. Tickets will have a face value and, although a sponsor's specific package may not be available on the open market, it is usually possible to find proxies that reflect the value of the elements offered.

The cost of purchasing an equivalent list from a list broker is a sound method for calculating the value of database access. Access to specialist knowledge and expertise can be valued by how much a sponsor would have to pay to buy that expertise itself in terms of a specialist employee. The provision of meeting facilities can be compared against the cost to rent the same sort of meeting room in a hotel or conference centre. Brand ambassadors can be judged against hiring an equivalent celebrity via a speaker bureau. The cost of setting up and staffing a booth in a high traffic location like a train station can be compared to the benefit of being able to provide sampling via a sponsorship relationship. Access to technology usually has an open market value, similarly administrative resources.

Access to content has become very important in many sponsorships, not least in the mobile phone and service provider markets as they seek to differentiate each brand. This content can either be "broadcast equivalent" or "exclusive access", but both can be valued either by the cost to purchase the content from a broadcaster or how much it would cost to organize a production company to go out and film the equivalent content. Finally, access to a rights-holder's marketing for the property can be calculated by the company considering the costs of carrying out a similar marketing programme.

Intangible assets

Intangible assets, in comparison, are often more difficult to assess in terms of value added. The value ascribed will vary widely depending on the relevance of any intangible asset to a particular sponsor and its bespoke sponsorship objectives.

Purchasing the right of association is the essence of any sponsorship relationship. It therefore follows that the most significant intangible asset sold by a rights-holder is the impact the sponsorship has on the sponsor's brand by virtue of transferable brand attributes from the sponsored property. The value of this benefit can fluctuate from minimal, where a sponsorship is

largely targeted at achieving commercial objectives, to being the most significant benefit in the sponsorship package. The best illustration of this is sponsorship of the Olympic Games where corporations pay multi-millions for the rights of association and the ability to use Olympic Marks, logos and symbols. Virtually everything else, including tickets and hospitality, has to be purchased in addition.

If a sponsorship is targeted at business-to-business engagement, the convenience of the property's location, its prestige and the quality with which it is delivered – and therefore its ability to attract the target audience to attend the hospitality – may be more important than marketing the rights of association.



Case Study: Morgan Stanley



Key learning points:

- Cultural sponsorships, and visual arts in particular, lend themselves to delivering on a business-to-business orientated sponsorship agenda.
- The ability to view iconic art works at leisure without competing with the general public is a compelling proposition for busy executives.

A good example of this was Morgan Stanley's sponsorship of The First Emperor: China's Terracotta Army at the British Museum which ran from September 2007 to April 2008. The sponsorship gave Morgan Stanley the opportunity to align their brand with their business interests in China, while also providing a culturally innovative platform for engaging with clients. Private views of the exhibition allowed clients the privileged opportunity to view the terracotta warriors without the crowds – providing a unique way for Morgan Stanley to deepen existing client relationships as well as help to build new ones.

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For some brands, especially those with a limited number of major competitors, it is really important to have exclusivity in their category in a sponsorship. For other brands it is actually the complete opposite: what they want is to be seen to be part of a peer group that helps to make them look bigger, stronger and more impressive than their accounts might justify.

It is also important that sponsors and rights-holders understand that their frames of reference may be completely different. This is illustrated in Table 1.2 where four different elements are compared. However, it is important to understand that there may be other issues on which rights-holders and corporations have a different perspective, and both need to be aware of this possibility in order to correctly interpret aspects of their relationship.

Sponsors are largely PLCs and are therefore driven by the shareholder imperative, which is to increase shareholder value not only in terms of the equity and share price, but also in terms of dividends paid. Accounting elements are the P&L account and the balance sheet, measuring value in terms of profit and equity, and leadership will be drawn from a cross-section of people with finely honed business skills and experience.

The sports rights-holder's perspective, as illustrated in Table 1.2, is often quite different. The business model is focused more on sporting success, with winning being the main performance measure. Most sports properties are not PLCs, cash flow is viewed as more important than profit and they are often led by sports enthusiasts. Of course, this can also be translated into culture, education or other sponsorship property categories. The desire for

Table 1.2 Different perspectives between sponsors and rights-holders

	Sponsor	Rights-holder
Business model	Shareholder imperative	"For the good of the game"
Accounting elements	P&L account Balance sheet	Cash flow White knight
Performance measures	Share price Dividend	Winning A full house
Human resources	Business Managers	Sports enthusiasts

curatorial integrity in cultural rights-holders can be as strong as the will to win among their sporting equivalents. Equally, most educationalists, while passionate about their work, have very little experience of the sharp end of the business world. The importance of understanding the different frames of reference between a sponsor and a rights-holder cannot be underestimated.

The process of sponsorship

In many ways the process of sponsorship is no different from any other process. It starts with developing the right strategy, good planning and efficient execution, and is brought together with a thorough evaluation. However, in sponsorship the application of this process varies somewhat when viewed through the different lenses of sponsor and rights-holder. Each section of the planning process will be discussed in detail in other chapters, so here only a brief overview is given to highlight the differences between the two perspectives.

Let us look initially at the sponsorship process from a sponsor's perspective (see Figure 1.8).

- Developing or reviewing sponsorship strategy for sponsors is often the result of a change in business priorities or marketing direction, as it is imperative that sponsorship strategy is derived from these elements and contributes to business and marketing success. Putting a proper sponsorship policy in place and developing decision frameworks and selection

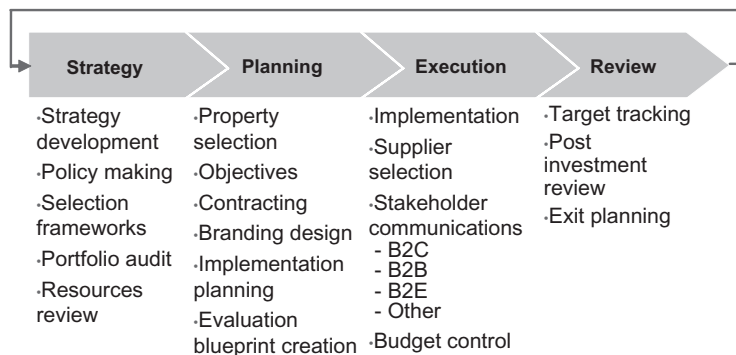


Figure 1.8 The process of sponsorship – for sponsors

criteria to guide future sponsorship investment decisions all flow from a robust sponsorship strategy. It also allows any current sponsorships to be reviewed to ensure that they remain fit for purpose. If not, the strategy will provide guidance on how best to exit gracefully. Most importantly, clarifying what resources will be available, both in terms of money and personnel, will be critical to driving the new strategy forward successfully.

- From a planning perspective, thinking will be centered around identifying and selecting the right properties, establishing clear objectives for each property and satisfactorily concluding the contracting phase. Once a robust agreement is in place, effort will focus on constructing and gaining internal support for a sponsorship activation programme, developing the branding model for promoting rights of association and creating the blueprint for evaluation.
- In many respects the first two phases of the sponsorship process are somewhat internal, while execution is where the majority of an organization's energy and resources are expended. Success will be judged on how well the programme plan is implemented, bringing the sponsorship to life and engaging stakeholders, whether consumers, business-to-business or employees. Appropriate suppliers may need to be found to supplement internal resources or bring specialist experience and expertise into play and, of course, the budget will need close attention.
- Finally, there is the evaluation phase. In fact, successful evaluation requires having milestones in place and tracking sponsorship performance throughout the execution phase. Formal performance discussions and post investment reviews are essential to identifying, capturing and implementing new ideas to improve outcomes in the future. Sponsorships that fail their performance hurdles will need careful exit planning.

Looking at it from the perspective of rights-holders, the process is the same but the emphasis is slightly different (see Figure 1.9).

- Sponsorship strategy for rights-holders focuses on what is the most appropriate approach to sponsorship and how best to position the property to attract sponsorship investment. Identifying sponsorship assets and understanding their potential value is critical, but rights-holders also have to allocate the appropriate resources if they wish to optimize sponsorship

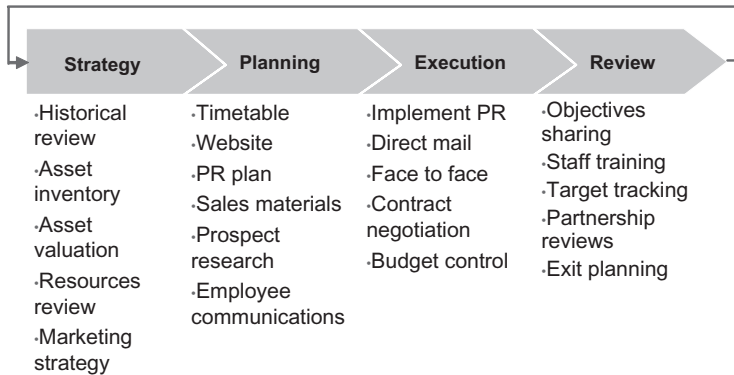


Figure 1.9 The process of sponsorship – for rights-holders

value creation. Finally, the best marketing strategy for the rights must be agreed.

- Moving forward into planning, rights-holders must have a clear timetable about (a) how they are going to sell their rights and implement partnerships, (b) what they need to do with their website and PR plan to attract sponsor interest, and (c) how they are going to develop their sales materials. Thorough prospect research is essential to identify those organizations that are the hottest prospects to target. Ensuring that employees understand the approach and how they can potentially help to bring new partners on board is crucial to sponsorship-seeking success.
- The execution phase comes in two parts. The first is the sales effort to attract sponsors, undertaking face-to-face meetings and finalizing contract negotiations. Perhaps more important is actually implementing those partnerships. Too many rights-holders focus their effort on securing the sale then do themselves a disservice by failing to adequately service their sponsors. Understanding the objectives of both parties, and making the sponsor's activation happen within the budget, will be critical in retaining the sponsor for the long term.
- The review phase for rights-holders should also focus on target tracking against sponsor's objectives. Many rights-holders overlook this, thinking it is an unnecessary cost, but it is very powerful to be able to prove to a sponsor how the property has delivered against their objectives when con-

ducting a re-signing discussion. This is even better if sponsorship fulfillment reports have been provided on a regular basis. Rights-holders will also need to do some exit planning. This may be both from the point of view of what happens if the sponsor does not re-sign for a further term, or possibly that the rights-holder has outgrown a particular sponsor and needs to have the freedom to move on.

? The in-source/out-source debate

One of the biggest issues both brands and rights-holders face is whether to allocate precious internal headcount to manage a sponsorship programme or to seek external support to develop and/or implement sponsorship effectively. There are strengths and weaknesses in both approaches, as highlighted in Table 1.3.

The strength of the internal solution is that employees will tend to be better aligned with corporate strategies because they are surrounded by an organization that is hopefully working in a single direction. A manager will have tight control of direct employees and, if they have been with the

Table 1.3 Strengths and weaknesses of resourcing options

	Internal Resources	External Resources
Strengths	<ul style="list-style-type: none"> • “On strategy” • Tight control • Internal networks 	<ul style="list-style-type: none"> • Easier to get rid of • Overcomes credibility/politics • Resourcing flexibility • Speed to market • Specialist experience
Weaknesses	<ul style="list-style-type: none"> • Time consuming • Headcount • Hidden costs: time, resources 	<ul style="list-style-type: none"> • Culture clash • Staff turnover • Perceived high cost

organization for any length of time, these employees will have informal networks that will help them to get things done.

Of course, from a different perspective, managing people is time consuming, headcount is always an issue for large organizations and there are hidden costs in having people in terms of their time – how much time they actually spend working versus chatting at the water cooler – and the cost of their desk, lighting, heating, power and other benefits normally provided to regular employees. Most organizations work on 100% of salary as an overhead charge, which illustrates just how much those hidden expenses of having an employee might actually cost.

On the external side the strengths are that it is easier to get rid of external resources and they can overcome any sort of credibility or internal politics issues. They can be very flexible, so they can staff up to meet a particular event need and then rapidly scale back again and they can help you to get to market very quickly. If a sponsorship is signed late, external resources will help to optimize the outcomes of that sponsorship. And of course they have specialist experience that may not be available internally.

The issues around external resources are that they may well have a culture clash with the hiring organization as agency staff may be accustomed to working in a relatively more fast-moving environment. Inevitably agencies have higher staff turnover which may destabilize a combined internal/agency team and cause problems until an acceptable replacement is found. Finally, because agency costs are very transparent – they sit as a clear line in a marketing budget – they do have a perceived high cost compared to internal resources where a lot of costs are hidden.

So, when faced with this conundrum, the recommendation is to resource internally in the following scenarios:

- The sponsorship activity is part of the core customer value proposition. Adidas or Nike manage their sponsorship internally because the performance of their apparel or footwear in a sporting context is key to the customer value proposition being promoted to the broad consumer audience.

- The necessary skills are available and accessible in-house and are not fully deployed on other sponsorship activities.
- The activity is of critical value to the company. For example, in the context of professional services firms, business-to-business customer contact is very important. Therefore, many of these organizations have big event management departments to manage closely every aspect of each event, optimizing the outcomes for their organization. Equally, from a rights-holder point of view, if sponsorship forms a relatively minor part of the organization's funding, then external resources are fine. However, if generating revenue from sponsorship is key to actually making an event or activity happen, then investing in internal resources will be beneficial in the long run.
- The right resources are not available externally for one reason or another, in which case there is no choice, apart from not doing the activity at all, to finding internal resources.

Of course outsourcing does have its place and should be given due consideration before final decisions are made. The key reasons to seek third party assistance are:

- Accessing best practice where specialist skills are needed but they are not essential to the business's core competence and therefore not worth the time and energy required to hire internally.
- Improving the quality of service that can be provided, especially where external staff can specialize while internal personnel may be more generalist.
- Where speed to market is critical and there is not enough time to identify and grow internal resources effectively.
- To maintain cost discipline through transparency of costs, perhaps where clarity of return on total investment outcomes will impact budget allocations in future.
- To benefit from resourcing flexibility, especially where activities are seasonal and headcount may not be fully utilized some of the time.
- Minimization of human resources administration internally, as agencies will tend to be able to manage less expensively than large corporations and institutions.

- Overcoming those internal barriers where an external supplier delivers the perceived authority or the impartial advice that helps an organization to move forward on something to which they are, perhaps, emotionally too close.



Key take-outs

- The sponsorship industry is strong and growing due to its ability to allow brands and corporations to engage with audiences in meaningful ways.
- The building blocks of successful sponsorship deployment are complex and need due consideration in developing and implementing a sponsorship strategy.
- Rights-holders and sponsors may have widely differing drivers and these need to be understood and taken into account when developing sponsorship relationships.
- The process of sponsorship is not very different for the two key parties, but the different emphases should not be overlooked.
- There are both pros and cons for building in-house competence versus potentially outsourcing to third-party specialists.

Summary

Sponsorship is a complex marketing tool and the work required to implement effective sponsorship programmes on behalf of an organization should not be underestimated. Nevertheless, it is currently one of the most powerful ways for brands to connect with their customers in the multi-channel, experience-oriented environment in which we live today.